

COMMITTEE ON  
WAYS AND MEANS  
SUBCOMMITTEES:  
SELECT REVENUE MEASURES  
SOCIAL SECURITY  
COMMITTEE ON  
STANDARDS OF OFFICIAL CONDUCT



**Stephanie Tubbs Jones**  
**Congress of the United States**  
11th District, Ohio

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March 10, 2006

Mr. Martin Gruenberg  
Vice Chairman  
Federal Deposit Insurance Corporation  
550 17th Street N.W.  
Washington, D.C. 20429

**VIA FACSIMILE AND U.S. MAIL**

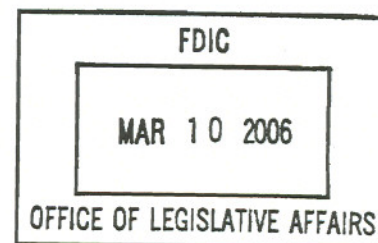
Dear Mr. Gruenberg:

Please accept this letter as a written submission in connection with the scheduled FDIC hearing on the Wal-Mart Bank application for deposit insurance.

Sincerely,

Stephanie Tubbs Jones  
Member of Congress

Enclosure



**Congress of the United States**  
**Washington, DC 20515**

March 10, 2006

Mr. Martin Gruenberg  
Vice Chairman  
Federal Deposit Insurance Corporation  
550 17th Street N.W.  
Washington, D.C. 20429

Dear Mr. Gruenberg:

The undersigned Members of the U.S. Congress oppose the application by Wal-Mart Stores, Inc., for a Utah industrial bank charter and ask that the FDIC reject its application for deposit insurance.

Granting Wal-Mart an industrial bank charter would violate long-standing U.S. policy, most recently reaffirmed in the Gramm-Leach-Bliley Act of 1999, of maintaining the separation of banking and commerce. This policy is essential to maintaining the integrity and competitiveness of the financial system and protecting communities and consumers.

Moreover, we have grave concerns about Wal-Mart's record as a corporate citizen and believe its ownership of a bank will have a serious negative impact on local communities.

**Safety and Soundness & Lack of Consolidated Supervision**

Wal-Mart's plan, to have its bank process hundreds of billions in transactions for its own stores, could threaten the stability of the nation's payments system. Given Wal-Mart's massive scope and international dealings, it is not possible to rule out a financial crisis within the company that could damage the bank and severely disrupt the flow of payments throughout the financial system. The potential losses to the FDIC are staggering. Consider the consequences if Enron or WorldCom had owned a bank.

These risks are especially significant because -- as an industrial bank -- Wal-Mart Bank would be exempt from the Bank Holding Company Act. That Act imposes ownership and transaction limitations and provides for consolidated supervision by the Federal Reserve at the ownership level. Unlike other banking organizations, the Federal Reserve would have no authority to regulate Wal-Mart. Without proper regulatory scrutiny, an industrial bank owner may put the solvency of the bank and parent at risk.

Industrial banks are regulated by the FDIC, but a recent Government Accountability Office report noted that the FDIC does not have the same powers to oversee a holding company's operations as does the Federal Reserve. The Federal Reserve can examine the bank holding company itself and any of its non-bank subsidiaries at any time, while the FDIC is generally unable to examine affiliates of banks.



The Federal Reserve can also establish consolidated capital requirements to ensure that owners are a source of financial strength for the subsidiary bank. Corporate parents of industrial banks are not subject to these capital requirements.

#### **Wal-Mart, Communities & Consumers**

Wal-Mart is a poor corporate citizen. It is one of the most often sued companies in history. Many of these cases involve gender discrimination, child labor, and other wage and hour violations. Wal-Mart was also subject to a substantial fine for Clean Water Act violations. These raise serious questions about the character of Wal-Mart's management. They cast grave doubt on Wal-Mart's ability to abide by the rules applicable to banking operations.

While Wal-Mart claims it will not open bank branches outside of its Utah location, that could easily change once it gets its bank charter. A Wal-Mart Bank with thousands of branches would create competitive imbalances in the banking world and threaten small businesses, including community banks. As the world's largest corporation, it has already used predatory pricing practices and other techniques to run local competition out of business in many communities.


The same could happen to community banks which bring value to the communities they serve well beyond their asset size by providing funding and loans to support local businesses and economic development..


Wal-Mart Bank could skew loan decisions by steering capital away from businesses that compete against Wal-Mart. The notion of small businesses being forced (because of the lack of options) to apply for credit from a bank owned by its competitor is anathema. Credit decisions should be based on merit, not to gain a competitive advantage.

These concerns about Wal-Mart's record in communities – as well as its record in dealing with its work force – leave us especially troubled by Wal-Mart's application for an exemption from the Community Reinvestment Act. CRA has been essential in many of our communities, ensuring that banks are good corporate citizens. Unfortunately, Wal-Mart wants the advantages of a bank charter and Federal deposit insurance without being willing to meet the same responsibilities as the rest of the banking industry. By seeking a CRA exemption, Wal-Mart reinforces its indifference to the economic health of local communities.

For all of these reasons, the undersigned recommend that the FDIC reject Wal-Mart's application for Federal deposit insurance.

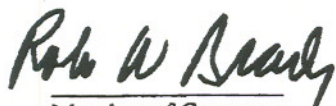
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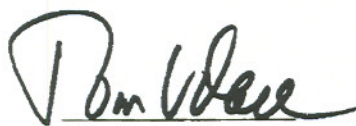
  
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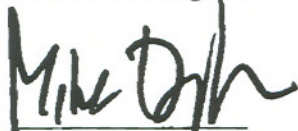
  
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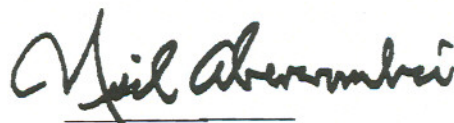
  
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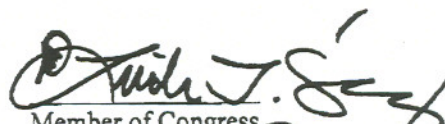
  
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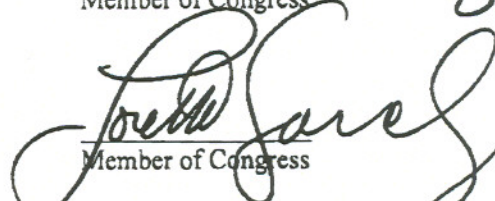
  
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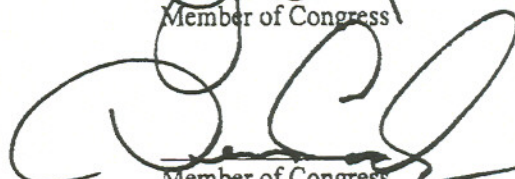
  
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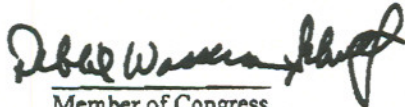
  
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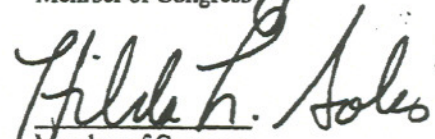
  
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